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April 8, 1999

Mr. Roger Bezdek
Office of the Fiscal Assistant Secretary
U.S. Department of the Treasury
Room 2112
1500 Pennsylvania Avenue, NW
Washington, DC 20220

**RE: Possible Regulation Regarding Access to Accounts at Financial Institutions
Through Payment Service Providers 64 Fed. Reg. 1149 (January 8, 1999)**

Dear Mr. Bezdek:

Thank you for the opportunity to comment regarding EFT '99 and access to Electronic Transfer Accounts (ETASM) through payment service providers on behalf of the 1,500 companies represented by the Food Marketing Institute.

The Food Marketing Institute is a non-profit association conducting programs in research, education, industry relations and public affairs on behalf of our 1,500 members including their subsidiaries - food retailers and wholesalers and their customers in the United States and around the world. FMI's domestic member companies operate approximately half of all retail food stores with a combined annual sales volume of \$220 billion - more than half of all grocery sales in the United States. Our retail membership is composed of large multi-store chains, small regional firms and independent supermarkets.

With industry-wide sales of over \$400 billion, the nation's supermarkets clearly have a vital stake in financial services issues that may affect the type of payment tendered by our customers at checkout. As you may know, **25 percent of the federal benefits recipients that do not have banking relationships currently cash their checks at supermarkets.** We value these customers and we are pleased to be able to offer "financial services" as a customer service at a very minimal charge.

We appreciate Treasury's continued interest in the concerns of the food distribution industry and our customers as it considers further regulation of ETASM accounts. FMI understands and supports the requirement that all funds be held in insured depository accounts. We believe it is essential, however, that Treasury permit arrangements between financial institutions and non-financial institutions that will be helpful to consumers by increasing competition and lowering costs.

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It is very important that customer access cards be interoperable between various systems and benefits be portable across state or regional lines. An incompatible ETASM card could permanently damage consumer trust in a number of electronic financial services products. It would also place recipients in a worse position than they are currently.

It is equally important that industries such as the food industry, with an average industry profit margin of 1.22% not be subject to additional fees from financial institutions. Additional compensation would be inequitable and unwarranted in light of the compensation Treasury plans to provide to financial institutions to establish ETASM accounts. Therefore, we agree that financial institutions should not be allowed to assess additional fees to either ETASM account holders or merchants. Merchants should not be forced to subsidize financial institutions by paying additional fees on ETASM accounts.

There are existing non-bank relationships that are inexpensive and work effectively. With further publicity surrounding the Treasury's direct deposit and EFT'99 initiatives, the market is ripe for additional low cost possibilities. If Treasury decides to propose regulations, they should allow for the development and use of these kinds of important arrangements.

We understand and share Treasury's concern that some unscrupulous non-financial institutions may charge customers exorbitant rates for check cashing or other services. Our members condemn these gouging practices and we believe that competition from supermarkets and other legitimate retailers will be the best deterrent to that type of payment service provider.

Thank you for your consideration. We look forward to continuing to work with you on the implementation of EFT '99 and the establishment of ETASM accounts, and would be pleased to discuss any of these topics with you in more detail.

Sincerely,

A handwritten signature in dark ink, appearing to read "Tim Hammonds", with a stylized flourish at the end.

Timothy Hammonds
President and Chief Executive Officer